

Government Ownership of Railroads, and War Taxation by Otto Hermann Kahn. txt  
light in subsequent years, but these were sporadic instances, by no means characteristic of railroading methods and practices in general, condemned by the great body of those responsible for the conduct of our railroads, no less than by the public at large, and entirely capable of being dealt with by the existing law, possibly amended in nonessential features, and by the force of public opinion.

Unfortunately, the law enacted under President Roosevelt's administration was not allowed to stand for a sufficient length of time to test its effects. The enactment of new railroad legislation in 1909, largely shaped by Congressmen and Senators of very radical tendencies and hostile to the railroads, and acquiesced in by President Taft with ill-advised and opportunist complacency, established, for the first time in America, paternalistic control over the railroads. It was an unscientific and ill-devised statute, gravely defective in important respects and bearing evidence of having been shaped in heat, hurry and anger. Mr. Taft himself, it seems, has since recognized its faultiness, for he has repeatedly and publicly protested against the over-regulation, the starvation and the oppression of the railroad which were the inevitable and easy-to-be-foreseen consequences of its enactment.

The States, to extent that they had not already anticipated it, were not slow to follow the precedent set by the Federal Government. The resulting structure of Federal and State laws under which the railroads were compelled to carry on their business, was little short of a legislative monstrosity.

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You all know the result. The spirit of enterprise in railroading was killed. Subjected to an obsolete and incongruous national policy, hampered, confined, harassed by multifarious, minute, narrow, and sometimes flatly contradictory regulations and restrictions, State and Federal, starved as to rates in the face of steadily mounting costs of labor and materials--that great industry began to fall away. Initiative on the part of those in charge became chilled, the free flow of investment capital was halted, creative ability was stopped, growth was stifled, credit was crippled.

The theory of governmental regulation and supervision was entirely right. No fair-minded man would quarrel with that. The railroads had exercised great, and in certain respects undoubtedly excessive power for a long time, and all power tends to breed abuses and requires limitations and restraints. But the practical application of that theory was wholly at fault and in defiance of both economic law and common sense. It was bound to lead to a crisis.

It is not the railroads that have broken down, it is our railroad legislation and commissions which have broken down.

And now the Government, in the emergency of war, probably wisely and, in view of the prevailing circumstances, necessarily, has assumed the operation of the railroads.

The Director General of Railroads, rightly and courageously, proceeded to do immediately that which the railroads for years had again and again asked in vain to be permitted to do--only more so.

Freight rates were raised twenty-five per cent., passenger rates in varying degrees up to fifty per cent. Many wasteful and needless practices heretofore compulsorily imposed were done away with.

Passenger train service, for the abolition of some of which the railroads had petitioned unsuccessfully for years, was cut to the extent of an aggregate train mileage of over 47,000,000.